GOVERNMENT OF KARNATAKA

DEPARTMENT OF LAW AND PARLIAMENTARY AFFAIRS

No. LAW. 24 LCA. 1976, Bangalore, dated 21st April 1976

NOTIFICATION

Odered that the Regional Rural Banks Act, 1976 (21 of 1976) published in Part II Section I of the *Gazette of India* Extraordinary dated 9th February 1976 be republished in the *Karnataka Gazette* for general information.

By Order and in the name of the Governor of Karnataka,

B. NAGESHA RAO,

Under Secretary to Government,
Dept. of Law and Parliamentary Affairs.

THE REGIONAL RURAL BANKS ACT, 1976

ARRANGEMENT OF SECTIONS

Section

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement.
2. Definitions.

CHAPTER II

INCORPORATION AND CAPITAL OF REGIONAL RURAL BANKS

3. Establishment and incorporation of Regional Rural Banks.
4. Offices and agenceis.
5. Authorised capital.
6. Issued capital.
7. Shares to be approved securities

CHAPTER III

MANAGEMENT

8. Management.
9. Board of directors.
10. Term of office of director.
11. Chairman.
12. Disqualifications.
13. Vacation of the seat of directors.
14. Meetings of Board.
15. Committees of Board.
16. Fees and allowances of directors and members of committees.
17. Staff of Regional Rural Banks.

CHAPTER IV

BUSINESS OF A REGIONAL RURAL BANK

18. Business which a Regional Rural Bank may transact.

CHAPTER V

ACCOUNTS AND AUDIT

19. Closure of accounts.
20. Annual report to be furnished to the shareholders.
21. Disposal of Profits.
22. Regional Rural Bank to be deemed to be a co-operative society for purpose of the Income-tax Act, 1961.
23. Interest-tax not payable.

CHAPTER VI

MISCELLANEOUS

24. Power of Central Government to give directions.
25. Obligations as to fidelity and secrecy.
26. Bar to liquidation of Regional Rural Bank.
27. Defects in appointment or constitution not to invalidate acts on proceedings.

28. Indemnity of directors, etc.
29. Power to make rules.
30. Power to make regulations.
31. Removal of difficulties.
32. Act to over-ride the provisions of other laws.

CHAPTER VII

AMENDMENT OF CERTAIN ENACTMENTS

33. Amendment of certain enactments.
34. Repeal and saving.
THE SCHEDULE.

Assented to on 9th February 1976 Act No. 21 of 1976

THE REGIONAL RURAL BANKS ACT, 1976

AN

ACT

to provide for the incorporation, regulation and winding up of Regional Rural Banks with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto.

BE it enacted by Parliament in the Twenty-seventh Year of the Republic of India as follows :—

CHAPTER I

PRELIMINARY

1. *Short title, extent and commencement.*—(1) This Act may be called the Regional Rural Banks Act, 1976.

(2) It extends to the whole of India.

(3) It shall be deemed to have come into force on the 26th day of September, 1975.

2. *Definitions.*—In this Act, unless the context otherwise requires,—

(*a*) "Board" in relation to a Regional Rural Bank, means the Board of directors of that Regional Rural Bank;

(*b*) "Chairman", in relation to a Regional Rural Bank, means the individual appointed or re-appointed under sub-section (1) of section 11 as the Chairman of that bank;

(*c*) "director", in relation to a Regional Rural Bank, means a member of the Board of that bank;

(*d*) "notified area" means the local limits, specified under sub-section (1) of section 3, within which a Regional Rural Bank shall operate;

(*e*) "prescribed" means prescribed by rules made under this Act;

(*f*) "Regional Rural Bank" means a Regional Rural Bank established under sub-section (1) of section 3;

(*g*) "Sponsor Bank", in relation to a Regional Rural Bank, means a bank by which such Regional Rural Bank has been sponsored;

(*h*) "State Government" means,—

(i) in relation to a Regional Rural Bank established in a Union territory, the Central Government;

(ii) in relation to a Regional Rural Bank established in a State, the Government of that State;

(*i*) words and expressions used herein and not defined but defined in the Reserve Bank of India Act, 1934, (2 of 1934) shall have meanings respectively assigned to them in that Act;

(*j*) words and expressions used herein and not defined either in this Act or in the Reserve Bank of India Act, 1934, (2 of 1934) but defined in the Banking Regulation Act, 1949, (10 of 1949) shall have the meanings respectively assigned to them in the Banking Regulation Act, 1949.

CHAPTER II

INCORPORATION AND CAPITAL OF REGIONAL RURAL BANKS

3. *Establishment and incorporation of Regional Rural Banks.*—(1) The Central Government may, if requested so to do by a Sponsor Bank, by notification in the Official Gazette, establish in a State or Union territory, one or more Regional Rural Banks with such name as may be specified in the notification and may, by the sail or subsequent notification, specify the local limits within which each Regional Rural Banks shall operate.

(2) Every Regional Rural Bank shall be a body corporate with perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract and may sue and be sued in its name.

(3) It shall be the duty of the Sponsor Bank to aid and assist the Regional Rural Bank, sponsored by it, by subscribing to the share capital of such Regional Rural Bank, recruitment and training of personnel during the first five years of the functioning of the Regional Rural Bank and providing such managerial and financial assistance as may be mutually agreed upon between the Sponsor Bank and the Regional Rural Bank.

4. *Office and agencies.*—(1) A Regional Rural Bank shall have its head office at such place in the notified area as the Central Government may, after consultation with the Reserve Bank and the Sponsor Bank, specify by notification in the Official Gazette.

(2) A Regional Rural Bank may, if it is of opinion that it is necessary so to do, establish its branches or agencies at any place in the notified area.

5. *Authorised capital.*—The authorised capital of each Regional Rural Bank shall be one crore of rupees, divided into one lakh of fully paid-up shares of one hundred rupees each :

Provided that the Central Government may, after consultation with the Reserve Bank and the Sponsor Bank, increase or reduce such authorised capital; so, however, that the authorised capital shall not be reduced below twenty-five lakhs of rupees, and the shares shall be in all cases, fully paid-up shares of one hundred rupees each.

6. *Issued capital.*—(1) The issued capital of each Regional Rural Bank shall be twenty-five lakhs of rupees.

(2) Of the capital issued by a Regional Rural Bank under sub-section (1), fifty per cent shall be subscribed by the Central Government; fifteen per cent by the concerned State Government and thirty-five per cent by the Sponsor Bank.

(3) The Board may, after consultation with the Reserve Bank, the concerned State Government and the Sponsor Bank and with the prior approval of the Central Government, from time to time, increase the issued capital of the Regional Rural Bank; and, where additional capital is issued, such capital shall also be subscribed in the same proportion as is specified in sub-section (2).

7. *Shares to be approved securities.*—Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of a Regional Rural Bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, (2 of 1882) and shall also be deemed to be approved securities for the purposes of the Banking Regulation Act, 1949 (10 of 1949).

CHAPTER III

MANAGEMENT

8. *Management.*—(1) Subject to the provisions of this Act, the general superintendence, direction and management of the affairs and business of a Regional Rural Bank shall vest in a Board of directors who may exercise all the powers and discharge all the functions which may be exercised or discharged by the Regional Rural Bank.

(2) In discharging its functions, the Board shall act on business principles and shall have due regard to public interest.

9. *Board of directors.*—(1) The Board of directors shall consist of the Chairman appointed under sub-section (1) of section 11, and the following other members, namely :—

(*a*) not more than three directors, to be nominated by the Central Governmen'

(*b*) not more than two directors, to be nominated by the concerned State Government ; and

(*c*) not more than three directors, to be nominated by the Sponsor Bank.

(2) The Central Government may increase the number of members of the Board; so, however, that the number of directors does not exceed fifteen in the aggregate and also prescribe the manner in which the additional number may be filled in.

10. *Term of office of directors.*—A director (other than the Chairman) shall hold office for such period not exceeding two years, from the date when he assumes office, as the authority nominating him may specify at the time when the nomination is made, and may, on the expiry of the said period, continue to hold office until his successor has been nominated and shall also be eligible for re-nomination.

11. *Chairman.*—(1) The Central Government shall appoint an individual to be the Chairman of a Regional Rural Bank and specify the period, not exceeding five years, for which such individual shall, subject to the provisions of sub-section (4), hold office as the Chairman.

(2) The individual, appointed as a Chairman under sub-section (1), shall, on the expiry of the period specifiy under that sub-section, be eligible for re-appointment.

(3) The Chairman shall devote his whole time to the affairs of the Regional Rural Bank and shall have subject to the superintendence, control and direction of the Board, the management of the whole of the affairs of the Regional Rural Bank.

(4) The Chairman shall hold office during the pleasure of the Central Government.

(5) The Chairman shall receive such salary and allowances and be governed by such terms and conditions of service as may be determined by the Central Government.

(6) If the Chairman is, by infirmity or otherwise, rendered incapable of carrying out his duties or is absent, on leave or otherwise, in circumstances not involving the vacation of office, the Central Government may appoint another individual to act as the Chairman during the absence of the first-mentioned Chairman.

12. *Disqualifications.*—A person shall be disqualified for being appointed or, as the case may be, nominated as, and for being, a director, if he—

(*a*) if, or, at any time has been, adjudged insolvent or has suspended payment of his debt or has compounded with his creditors, or

(*b*) is of unsound mind and stands so declared by a competent court, or

(*c*) is, or has been, convicted of an offence which, in the opinion of the Central Government, involves moral turpitude.

13. *Vacation of the seal of directors.*—(1) If a director—

(*a*) becomes subject to any disqualification specified in section 12, or

(*b*) is absent without leave of the Board for more than three consecutive meetings thereof,

his seat shall thereupon become vacant.

(2) The Chairman may resign his office by giving notice thereof in writing to the Central Government and a director may resign his office by giving notice thereof to the authority by which he was nominated; and, on such resignation being accepted, the Chairman or the director, as the case may be, shall be deemed to have vacated his office.

14. *Meetings of Board.*—(1) The Board of directors of a Regional Rural Bank shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) The Chairman of the Regional Rural Bank shall preside over every meeting of the Board, and, in his absence, such Director as the Chairman may generally, or in relation to any particular meeting, authorise in this behalf shall preside; and, in the absence of both the Chairman and the director so authorised, the directors present at the meeting shall elect one from among themselves to preside over the meeting.

Explanation.—For the purposes of this sub-section, "absence" from a meeting means non-attendance for any reason whatsoever at the meeting, or any part of the meeting during which any business is transacted.

(3) All questions at a meeting of the Board shall be decided by a majority of the votes of the directors present and voting; and, in case of equality of votes, the person presiding shall have a second or casting vote.

(4) No director shall, as a director, take part in the discussion of, or vote on, any contract, loan, arrangement or proposal entered into or to be entered into, by or on behalf of the Regional Rural Bank, if heis, in any way, whether directly or indirectly, interested in the contract, loan, arrangement or proposal and, where a director is interested in any such matter, he shall, at the earliest possible opportunity, disclose to the Board the nature of his interest in such contract, loan, arrangement or proposal, and where he does so, his presence at the meeting shall not count for the purpose of forming any quorum at the time of any such discussion or vote, and if he does vote, his vote shall be void:

Provided that nothing contained in this sub-section shall apply to such director by reason only of his being—

(i) a shareholder (other than a director) holding not more than two per cent, of the paid-up capital in any public company within the meaning of the Companies Act, 1956 (1 of 1956),

or any corporation established by or under any law for the time being in force in India or any co-operative society, with which the Regional Rural Bank has entered into, or proposes to enter into, any contract, loan, arrangement or proposal; or

(ii) a director of the Regional Rural Bank as such.

15. *Committees of Board.*—The Board may constitute such committees, whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons, as it may think fit, for such purposes as it may decide.

16. *Fees and allowances of directors and members of committees.*—(1) Every director and every member of a committee (other than the Chairman) shall be paid such fees and allowances as may be determined by the Central Government:

Proivded that no fees shall be paid to any director, or member of a committee if he is an officer of the Central Government, State Government, the Reserve Bank, Sponsor Bank or any other bank.

(2) The allowances payable to a director or a member of a committee, who is an officer of the Central Government, State Government, Reserve Bank, Sponsor Bank or any other bank, shall be paid by the Government or bank by which such officer is employed; and the allowances and fees payable to any other director or member of a committee shall be payable by the concerned Regional Rural Bank.

17. *Staff of Regional Rural Banks.*—(1) A Regional Rural Bank may appoint such number of officers and other employees as it may consider necessary or desirable for the efficient performance of its functions and may determine the terms and conditions of their appointment and service:

Provided that, it shall be lawful for a Sponsor Bank, if requested so to do by a Regional Rural Bank sponsored by it, to send during the first five years of the functioning of a Regional Rural Bank, such number of officers or other employees on deputation to the Regional Rural Bank as may be necessary or desirable

Provided further that the renumeration of officers and other employees appointed by a Regional Rural Bank shall be such as may be determined by the Central Government, and, in determining such remuneration, the Central Government shall have due regard to the salary structure of the employees of the State Government and the local authorities of comparable level and status in the notified area.

(2) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or any other law for the time being in force, no award, judgment, decree, decision or order of any industrial tribunal, court or other authority, made before the commencement of this Act, shall apply to the terms and conditions in relation to the persons appointed by a Regional Rural Bank.

(3) The officers and other employees of a Regional Rural Bank shall exercise such powers and perform such duties as may be entrusted or delegated to them by the Board

CHAPTER IV

BUSINESS OF A REGIONAL RURAL BANK

18. *Business which a Regional Rural Bank may transact.*— (1) Every Regional Rural Bank shall carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), and may engage in one or more forms of business specified in sub-section (1) of section 6 of that Act.

(2) Without prejudice to the generality of the provisions of sub-section (1), every Regional Rural Bank may, in particular, undertake the following types of business, namely :—

(*a*) the granting of loans and advances, particularly small and marginal farmers and agricultural labourers, whether individually or in groups, and to co-operative societies, including agricultural marketing societies, agricultural processing societies, co-operative farming societies, primary agricultural credit societies or farmers' service societies, for agricultural pur-

poses or agricultural operations or for other purposes connected therewith ;

(b) the granting of loans and advances, particularly to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities, within the notified area in relation to the Regional Rural Bank.

CHAPTER V

ACCOUNTS AND AUDIT

19. *Closure of accounts.*—(1) Every Regional Rural Bank shall cause its books to be closed and balanced as on the 31st day of December of each year and shall appoint with the approval of the Central Government auditors for the audit of its accounts.

(2) Every auditor of a Regional Rural Bank shall be a person who is qualified to act as an auditor of a company under section 226 of the Companies Act, 1956 (1 of 1956), and shall receive such remuneration as the Regional Rural Bank may fix with the approval of the Central Government.

(3) Every auditor shall be supplied with a copy of the annual balance-sheet and profit and loss account of the Regional Rural Bank, and a list of all books kept by the Regional Rural Bank, and it shall be the duty of the auditor to examine the balance-sheet and vouchers relating thereto, and, in the performance of his duties, the auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other documents of the Regional Rural Bank ;

(b) may, at the expense of the Regional Rural Bank, employ accountants or other persons to assist him in investigating such accounts ; and

(c) may, in relation to such accounts, examine the Chairman or any officer or employee of the Regional Rural Bank.

(4) Every auditor of a Regional Rural Bank shall make a report to that bank upon the annual balance-sheet and accounts and in every such report shall state,—

(*a*) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the Regional Rural Bank, and, in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;

(*b*) whether or not, the transactions of the Regional Rural Bank, which have come to his notice, have been within the powers of that bank;

(*c*) whether or not, the returns received from the offices and branches of the Regional Rural Bank have been found adequate for the purpose of his audit;

(*d*) whether the profit and loss account shows a true balance of profit or loss for the period covered by such accounts; and

(*e*) any other matter which he considers should be brought to the notice of the Regional Rural Bank.

20. *Annual report to be furnished to the share-holders.*— Every Regional Rural Bank shall, within sixty days from the date of closure of its accounting year, send to each of its share-holders a report as to its working and activities during the accounting year immediately preceding together with a copy of its balance-sheet, profit and loss account and the auditor's report in relation to the accounts of the said accounting year.

21. *Disposal of profits.*—After making provisions for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is, under law, necessary or which are usually provided for by banking companies, a Regional Rural Bank may, out of its net profits, declare a dividend.

22. *Regional Rural Bank to be deemed to be a co-operative society for purpose of the Income-tax Act,* 1961.—For the pur-

pose of the Income-tax Act, 1961 (43 of 1961), or any other enactment for the time being in force relating to any tax on income, profits or gains, a Regional Rural Bank shall be deemed to be a co-operative society.

23. *Interest-tax not payable.*—Notwithstanding anything contained in the Interest-tax Act, 1974 (45 of 1974,) no Regional Rural Bank shall be liable to pay any tax under that Act.

CHAPTER—VI

MISCELLANEOUS

24. *Power of Central Government to give directions.*—(1) A Regional Rural Bank shall, in the discharge of its functions, be guided by such directions in regard to matters of policy involving public interest as the Central Government may, after consultation with the Reserve Bank, give.

(2) If any question arises as to whether any such direction relates to a matter of policy invovling public interest, the decision of the Central Government thereon shall be final.

25. *Obligations as to fidelity and secrecy.*—(1) A Regional Rural Bank shall observe, except as otherwise required by law, the practices and usages customary among bankers and, in particular, it shall not divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is,in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the Regional Rural Bank to divulge.

(2) Every director, member of a committee or auditor, officer or other employee of a Regional Rural Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule to this Act.

26. *Bar to liquidation of Regional Rural Bank.*—No provision of law relating to the winding up of companies shall apply to a Regional Rural Bank and a Regional Rural Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

27. *Defects in appointment or constitution not to invalidate acts or proceedings.*—(1) No act of a Chairman, acting in good faiths, shall be invalid merely by reason of any defect in his appointment or in the procedure.

(2) No act or proceeding of any Board of directors or of any committee of a Regional Rural Bank shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, such Board or committee, as the case may be.

(3) Acts done by a person, acting in good faith, as a director or member of a committee of a Regional Rural Bank shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in any law for the time being in force:

Provided that nothing in this section shall be deemed to give validity to any act done by a director or a member of any committee of a Regional Rural Bank after his appointment has been shown to the Regional Rural Bank to be invalid or to have terminated.

28. *Indemnity of directors, etc.*—(1) A director or a member of a committee of a Regional Rural Bank shall not be responsible for any loss or expense caused to such bank by insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of a Regional Rural Bank or by the insolvency or wrongful act of any customer or debtor or anything done in, or in relation to, the execution of the duties of his office, unless such loss, insufficiency or deficiency was due to any wilful act or default on the part of such director or member.

(2) The Chairman of a Regional Rural Bank and every officer of the Central Government or State Government or an officer of the Reserve Bank or the Sponsor Bank and every officer or other employee of a Regional Rural Bank shall be indemnified by such bank against all losses and expenses incur-

red by him in, or in relation to, the discharge of his duties except such as have been caused by his own wilful act or default.

29. *Power to make rules.*—(1) The Central Government may, after consultation with the Reserve Bank and the Sponsor Bank, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the manner in which the additional number of members of the Board may be filled in, under sub-section (2) of section 9;

(*b*) the time and place at which the Board of directors of a Regional Rural Bank shall meet and the rules of procedure which shall be observed by the Board in regard to the transaction of business at its meetings under sub-section (1) of section 14;

(*c*) any other matter which is required to be or may be, prescribed.

(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

30. *Power to make regulations.*—The Board of directors of a Regional Rural Bank may, after consultation with the Sponsor Bank and the Reserve Bank, and with the previous sanction of

the Central Government, make regulations, not inconsistent with the provisions of this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

31. *Removal of difficulties.*—If any difficulty arises in giving effect to the provisions of this Act the Central Government may make such order, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty.

Provided that no such order shall be made after the expiry of a period of five years from the commencement of this Act.

32. *Act to override the provisions of other laws.*—The provisions of this ctA shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force or in any contract, express or implied, or in any instrument having effect by virtue of any law other than this Act, and notwithstanding any custom or usage to the contrary.

CHAPTER—VII

AMENDMENT OF CERTAIN ENACTMENTS

33. *Amendment of certain enactments.*—(1) In the Reserve Bank of India Act, 1934, (2 of 1934)—

(*a*) in section 2,—

(i) after clause (*civ*), the following clause shall be inserted, namely:—

'(*cv*) "Regional Rural Bank" means a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976;';

(ii) after clause (*e*), the following clause shall be inserted, namely:—

'(*ea*) "Sponsor Bank" means a Sponsor Bank as defined in the Regional Rural Banks Act, 1976;';

(iii) the existing clause (*ei*) shall be re-lettered as clause (*eb*)

(*b*) in section 45H, for the words "a co-operative bank", the words "a Regional Rural Bank or a co-operative bank" shall be substituted;

(*c*) in section 46A, in sub-section (2), in clause (*b*),—

(i) after the words "State co-operative banks", the words "or Regional Rural Banks" shall be inserted;

(ii) for the proviso, the following proviso shall be substituted, namely:—

"Provided that such loans and advances are fully guaranteed as to the repayment of principal and payment of interest,—

(i) in the case of loans and advances to State co-operative banks, by the State Government; and

(ii) in the case of loans and advances to a Regional Rural Bank, by the Sponsor Bank.";

(*d*) in section 46B, in sub-section (2),—

(i) after the words "State co-operative banks", the words "or Regional Rural Banks" shall be inserted;

(ii) after the proviso, the following proviso shall be inserted, namely:—

"Provided further that no such loans or advances shall be made—

(*a*) except for the purpose of enabling the Regional Rural Banks to pay any dues in respect of bills of exchange and promissory notes purchased or re-discounted by the Bank or loans and advances made to them by the Bank under section 17 and unless, in the opinion of the Bank, the Regional Rural Banks are unable to pay such dues in time owing to drought, famine or other natural calamities, and

(*b*) unless such loans and advances are fully guaranteed as to re-payment of the principal and payment of interest by the Sponsor Bank.".

(2) In the Industrial Disputes Act, 1947, (14 of 1947) in section 2, in clause (*a*), in sub-clause (i), after the words and

igures "Food Corporation Act, 1964, or", the words and figures 'a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, or" shall be inserted.

(3) In the Banking Regulation Act, 1949, (10 of 1949)—

(*a*) in section 24, after sub-section (2A), the following ub-section shall be inserted, namely:—

" (2B) The Reserve Bank may, by notification in the Official Gazette, vary the percentage referred to in sub-section (2A) in respect of a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976.";

(*b*) in section 34A, in sub-section (3), for the words "and any subsidiary bank", the words and figures "a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, and any subsidiary bank" shall be substituted;

(*c*) in section 36AD, in sub-section (3), for the words 'and any subsidiary bank", the words and figures "a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, and any subsidiary bank" shall be substituted;

(*d*) in section 51, for the words "or any other banking institution notified by the Central Government in this behalf", the words and figures "or a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, or any other banking institution notified by the Central Government in this behalf" shall be substituted.

(4) In the Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949, (46 of 1949) in section 2, in clause (*a*), for the words "and any subsidiary bank", the words and figures "a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, and any subsidiary bank" shall be substituted.

(5) In the Deposit Insurance Corporation Act, 1961, (47 of 1961)—

(*a*) in section 2,—

(i) in clause (*g*),—

(*a*) for the words "a banking company", the words 'a Regional Rural Bank or a banking company" shall be substituted;

(*b*) for the words "with a banking company", the words "with a Regional Rural Bank or with a banking company" shall be substituted;

(ii) in clause (i), after the words "banking company", the words "or a Regional Rural Bank" shall be inserted;

(iii) after clause (*m*), the following clause shall be inserted, namely:—

'(*ma*) "Regional Rural Bank" means a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976;';

(*b*) after section 11 the following section shall be inserted, namely:—

"11A. *Registration of Regional Rural Banks.*—The Corporation shall register every Regional Rural Bank before the expiry of thirty days from the date of its establishment.";

(*c*) in section 13, after sub-section (2), the following sub-section shall inserted, namely:—

"(3) The provisions of clauses (*a*), (*b*), (*c*), (*d*) and (*h*) of sub-section (1) shall apply to a Regional Rural Bank as they apply to a banking company.";

(*d*) in sub-section (1) of section 14, for the words "banking company", wherever they occur, the words "banking company, Regional Rural Bank' shall be substituted.

34. *Repeal and savings.*—(1) The Regional Rural Banks Ordinance, 1975, (13 of 1975) is hereby repealed.

(2) Notwithstanding such repeal anything done or any action taken under the Ordinance so repealed shall be deemed to have been done or taken under the corresponding provisions of this Act.

THE SCHEDULE

[*See* section 25 (2)]

I, ..., do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as a director, member of a committee, officer, employee or auditor (as the case may be) of the Regional Rural Bank and which properly relate to any office or position in the said Bank held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Regional Rural Bank or to the affairs of any person having any dealings with the Regional Rural Bank, nor will I allow any such person to inspector or have access to, any books or documents belonging to, or in the possession of the Regional Rural Bank and relating to the business of the Regional Rural Bank, or to the business of any person having any dealings with the Regional Rural Bank.

Signed before me

Dated

Signature.